

**AGENDA ITEM**

August 2, 2016

Subject: Troutt, Beeman & Co. P.C. Engagement Letter

Department: Finance

This ordinance would engage Troutt, Beeman & Co. P.C., Certified Public Accountants to conduct the annual audit of the City's financial records and financial statements for fiscal year ending December 31, 2016. A contract was approved in 2015 selecting Troutt Beeman as the City's independent auditor for the fiscal 2015 audit with options for four subsequent years at the Council's discretion.

The fee quoted in the engagement letter is \$32,200 which is a 2.22% increase from the prior year.

**BILL NO. 2016-022**

**ORDINANCE NO.**

**A SPECIAL ORDINANCE OF THE CITY OF NEVADA, MISSOURI ACCEPTING THE OPTION FOR TROUTT, BEEMAN & CO. P.C., CERTIFIED PUBLIC ACCOUNTANTS TO CONDUCT THE ANNUAL AUDIT FOR THE FISCAL YEAR ENDING DECEMBER 31, 2016.**

**BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF NEVADA, MISSOURI, THAT:**

**Section 1.** The engagement letter attached hereto as Exhibit "A" to perform the annual audit for the fiscal year ending December 31, 2016 submitted by Troutt, Beeman & Co. P.C., Certified Public Accountants is accepted by the City Council.

**Section 2.** The City Manager is hereby authorized to execute the response to the proposal on behalf of the City of Nevada with written attestation by the City Clerk.

**Section 3.** The City Manager and the City Treasurer are hereby authorized and directed to make payment in an amount not to exceed \$32,200 without further action of the City Council.

**PASSED, APPROVED, AND ADOPTED** by the City Council of the City of Nevada, Missouri, this \_\_\_\_\_ day of August, 2016.

\_\_\_\_\_  
Brian L. Leonard, Mayor

(seal)  
ATTEST:

\_\_\_\_\_  
Johnna Williams, Deputy City Clerk

July 25, 2016

Mr. Brian Leonard, Mayor  
City of Nevada, Missouri  
110 South Ash  
Nevada, Missouri 64772

Dear Mayor Leonard:

You have requested that we audit the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Nevada, Missouri, as of December 31, 2016, and for the year then ended and the related notes to the financial statements, which collectively comprise the City of Nevada, Missouri's basic financial statements as listed in the table of contents.

In addition, we will audit the entity's compliance over major federal award programs for the period ended December 31, 2016. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter. Our audit will be conducted with the objective of our expressing an opinion on each opinion unit.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information, and the Missouri local government employees' retirement system be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the required supplementary information (RSI) in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist primarily of inquiries of management regarding their methods of measurement and presentation, and comparing the information for consistency with management's responses to our inquiries. We will not express an opinion or provide any form of assurance on the RSI. The following RSI is required by accounting principles generally accepted in the United States of America. This RSI will be subjected to certain limited procedures but will not be audited:

1. Management's Discussion and Analysis
2. Budgetary Comparison Schedules
3. Missouri Local Government Employees Retirement System

Supplementary information other than RSI will accompany the City of Nevada, Missouri's basic financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling the supplementary information to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and additional procedures in accordance with auditing standards generally accepted in the United States of America. We intend to provide an opinion on the following supplementary information in relation to the financial statements as a whole:

1. Combining Statements of Non-major Governmental Funds
2. Budgetary Comparison Schedules

### **Schedule of Expenditure of Federal Awards**

We will subject the schedule of expenditures of federal awards to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling the schedule to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and additional procedures in accordance with auditing standards generally accepted in the United States of America. We intend to provide an opinion on whether the schedule of expenditures of federal awards is presented fairly in all material respects in relation to the financial statements as a whole.

### **Data Collection Form**

Prior to the completion of our engagement, we will complete the sections of the Data Collection Form that are our responsibility. The form will summarize our audit findings, amounts and conclusions. It is management's responsibility to submit a reporting package including financial statements, schedule of expenditure of federal awards, summary schedule of prior audit findings and corrective action plan along with the Data Collection Form to the federal audit clearinghouse. The financial reporting package must be text searchable, unencrypted, and unlocked. Otherwise, the reporting package will not be accepted by the federal audit clearinghouse. We will assist you in the electronic submission and certification. You may request from us copies of our report for you to include with the reporting package submitted to pass-through entities.

The Data Collection Form is required to be submitted within the *earlier* of 30 days after receipt of our auditors' reports or nine months after the end of the audit period, unless specifically waived by a federal cognizant or oversight agency for audits. Data Collection Forms submitted untimely are one of the factors in assessing programs at a higher risk.

## **Audit of the Financial Statements**

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error, fraudulent financial reporting, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements or noncompliance may not be detected exists, even though the audit is properly planned and performed in accordance with U.S. GAAS and *Government Auditing Standards* of the Comptroller General of the United States of America.

In making our risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit.

We will issue a written report upon completion of our audit of City of Nevada, Missouri's basic financial statements. Our report will be addressed to the governing body of the City of Nevada, Missouri. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement.

In accordance with the requirements of *Government Auditing Standards*, we will also issue a written report describing the scope of our testing over internal control over financial reporting and over compliance with laws, regulations, and provisions of grants and contracts, including the results of that testing. However, providing an opinion on internal control and compliance over financial reporting will not be an objective of the audit and, therefore, no such opinion will be expressed.

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## **Audit of Major Program Compliance**

Our audit of the City of Nevada, Missouri's major federal award program(s) compliance will be conducted in accordance with the requirements of the Single Audit Act, as amended; and the provisions of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and will include tests of accounting records, a determination of major programs in accordance with OMB Circular A-133, and other procedures we consider necessary to enable us to express such an opinion on major federal award program compliance and to render the required reports. We cannot provide assurance that an unmodified opinion on compliance will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion or withdraw from the engagement.

OMB Circular A-133 requires that we also plan and perform the audit to obtain reasonable assurance about whether the entity has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major federal award programs. Our procedures will consist of determining major federal programs and performing the applicable procedures described in the U.S. Office of Management and Budget Circular A-133 *Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of the entity's major programs. The purpose of those procedures will be to express an opinion on the entity's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to OMB Circular A-133.

Also, as required by OMB Circular A-133, we will perform tests of controls to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each of the entity's major federal award programs. However, our tests will be less in scope than would be necessary to render an opinion on these controls and, accordingly, no opinion will be expressed in our report.

We will issue a report on compliance that will include an opinion or disclaimer of opinion regarding the entity's major federal award programs, and a report on internal controls over compliance that will report any significant deficiencies and material weaknesses identified; however, such report will not express an opinion on internal control.

## **Management Responsibilities**

Our audit will be conducted on the basis that management and, when appropriate, those charged with governance, acknowledge and understand that they have responsibility:

- a. For the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America;
- b. For the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error, fraudulent financial reporting, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements; and

- c. For safeguarding assets;
- d. For identifying all federal awards expended during the period including those received prior to December 26, 2014, and those received in accordance with 2CFR200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* generally received after December 26, 2014;
- e. For preparing the schedule of expenses of federal awards (including notes and noncash assistance received) in accordance with OMB Circular A-133 requirements;
- f. For the design, implementation, and maintenance of internal control over compliance;
- g. For identifying and ensuring that the entity complies with laws, regulations, grants, and contracts applicable to its activities and its federal award programs;
- h. For following up and taking corrective action on reported audit findings from prior periods and preparing a summary schedule of prior audit findings;
- i. For following up and taking corrective action on current year audit findings and preparing a corrective action plan for such findings;
- j. For submitting the reporting package and data collection form to the appropriate parties;
- k. For making the auditor aware of any significant vendor relationships where the vendor is responsible for program compliance;
- l. To provide us with:
  - a. Access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements, and relevant to federal award programs, such as records, documentation, and other matters;
  - b. Additional information that we may request from management for the purpose of the audit; and
  - c. Unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence.
- m. For adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the current year period(s) under audit are immaterial, both individually and in the aggregate, to the financial statements as a whole; and
- n. For confirming your understanding of your responsibilities as defined in this letter to us in your management representation letter.

With regard to the supplementary information referred to above, you acknowledge and understand your responsibility: (a) for the preparation of the supplementary information in accordance with the applicable criteria; (b) to provide us with the appropriate written representations regarding supplementary information; (c) to include our report on the supplementary information in any document that contains the supplementary information and that indicates that we have reported on such supplementary information; and (d) to present the supplementary information with the audited financial statements, or if the supplementary information will not be presented with the audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance by you of the supplementary information and our report thereon.

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As part of our audit process, we will request from management and, when appropriate, those charged with governance, written confirmation concerning representations made to us in connection with the audit.

We understand that your employees will prepare all confirmations we request and will locate any documents or invoices selected by us for testing.

If you intend to publish or otherwise reproduce the financial statements and make reference to our firm, you agree to provide us with printers' proofs or masters for our review and approval before printing. You also agree to provide us with a copy of the final reproduced material for our approval before it is distributed.

### **Provisions of Engagement Administration, Timing and Fees**

During the course of the engagement, we may communicate with you or your personnel via fax or e-mail, and you should be aware that communication in those mediums contains a risk of misdirected or intercepted communications.

We expect to begin our audit on approximately April 10, 2017 and to issue our reports no later than June 15, 2017. Certain preliminary audit procedures and testing will be done late in 2016.

Ivan E. "Butch" Beeman, CPA is the engagement partner for the audit services specified in this letter. His responsibilities include supervising the services performed as part of this engagement and signing or authorizing another qualified firm representative to sign the audit report.

Our fee for these services will be \$32,200 for the year ended December 31, 2016, including the Single Audit. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 30 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

During the course of the audit we may observe opportunities for economy in, or improved controls over, your operations. We will bring such matters to the attention of the appropriate level of management, either orally or in writing.

We agree to retain our audit documentation or work papers for a period of at least five years from the date of our report.



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At the conclusion of our audit engagement, we will communicate to the City Administrator, Mayor and City Council the following significant findings from the audit:

- Our view about the qualitative aspects of the entity's significant accounting practices;
- Significant difficulties, if any, encountered during the audit;
- Uncorrected misstatements, other than those we believe are trivial, if any;
- Disagreements with management, if any;
- Other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to those charged with governance regarding their oversight of the financial reporting process;
- Material, corrected misstatements that were brought to the attention of management as a result of our audit procedures;
- Representations we requested from management;
- Management's consultations with other accountants, if any; and
- Significant issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management.

The audit documentation for this engagement is the property of Troutt, Beeman & Co., P.C. and constitutes confidential information. However, we may be requested to make certain audit documentation available to federal agencies and the U.S. Government Accountability Office pursuant to authority given to it by law or regulation, or to peer reviewers. If requested, access to such audit documentation will be provided under the supervision of Troutt, Beeman & Co., P.C.'s personnel. Furthermore, upon request, we may provide copies of selected audit documentation to these agencies and regulators. The regulators and agencies may intend, or decide, to distribute the copies of information contained therein to others, including other governmental agencies. We agree to retain our audit documentation or work papers for a period of at least five years from the date of our report.

With respect to any non-attest services we perform, the City of Nevada's management is responsible for (a) making all management decisions and performing all management functions; (b) assigning a competent individual to oversee the services; (c) evaluating the adequacy of the services performed; (d) evaluating and accepting responsibility for the results of the services performed; and (e) establishing and maintaining internal controls, including monitoring ongoing activities.

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Please sign and return the attached copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our audit of the financial statements compliance over major federal award programs including our respective responsibilities.

We appreciate the opportunity to be your financial statement auditors and look forward to working with you and your staff.

Sincerely,

  
TROUTT, BEEMAN & CO., P.C.

RESPONSE: Dated \_\_\_\_\_, 2016

The above proposal by Troutt Beeman & Co., P.C., is accepted by the City of Nevada, Missouri, subject to the condition and understanding that all services required in the City's request for proposals dated June 26, 2015, will be fully performed.

Further, subject to annual appropriations and approval by the City Council, the City may further award audits for four additional years to the end that Troutt Beeman & Co., P.C., if annually hereafter approved, will address a total of five annual audits. The Council reserves the right to decline to award any subsequent year if it is not entirely satisfied with the services, if appropriations are not approved or if for any reason whatsoever the City elects to award its audit to another firm.

CITY OF NEVADA, MO

By: \_\_\_\_\_  
J.D. Kehrman, City Manager  
At the direction of the City Council